

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 179 Comprehensive social security assistance scheme

Subhead 180 Social security allowance scheme

Members are invited –

- (a) to approve revised rates of standard payments under the Comprehensive Social Security Assistance Scheme and the Disability Allowance under the Social Security Allowance Scheme with effect from 1 February 2007 to take account of inflation; and
- (b) to note the financial implications of (a) above, estimated at \$183 million in annual recurrent expenditure.

PROBLEM

We need to adjust the standard payments under the Comprehensive Social Security Assistance (CSSA) Scheme and the Disability Allowance (DA) under the Social Security Allowance (SSA) Scheme to take account of inflation.

PROPOSAL

2. We propose to increase, with effect from 1 February 2007, by 1.2% the standard payments under the CSSA Scheme and the DA under the SSA Scheme.

3. If Members approve the above proposal, the rates of standard payments under the CSSA Scheme and the DA under the SSA Scheme will be as follows –

A. CSSA Standard Rates

1. Standard rates for non able-bodied recipients and elderly persons aged 60 or above

Category	Existing (per month) (\$)		Proposed (per month) (\$)	
	Single person	Family member	Single person	Family member
(a) Elderly person aged 60 or above				
Able-bodied/50% disabled	2,280	2,150	2,305	2,175
100% disabled	2,760	2,440	2,795	2,470
Requiring constant attendance	3,885	3,560	3,930	3,605
(b) Ill-health/Disabled adult aged under 60				
Ill-health/50% disabled	1,930	1,750	1,955	1,770
100% disabled	2,410	2,085	2,440	2,110
Requiring constant attendance	3,530	3,205	3,570	3,245
(c) Disabled child				
50% disabled	2,570	2,240	2,600	2,265
100% disabled	3,050	2,725	3,085	2,760
Requiring constant attendance	4,165	3,850	4,215	3,895

2. Standard rates for able-bodied recipients

Category	Existing (per month) (\$)	Proposed (per month) (\$)
(a) Able-bodied adult aged under 60		
<i>Single parent/Family carer</i>		
– in a family comprising not more than two able-bodied adults/children	1,750	1,770
– in a family comprising three able-bodied adults/children	1,580	1,600
– in a family comprising four or more able-bodied adults/children	1,400	1,415
<i>Others</i>		
Single person	1,610	1,630
Family member		
– in a family comprising not more than two able-bodied adults/children	1,435	1,450
– in a family comprising three able-bodied adults/children	1,295	1,310
– in a family comprising four or more able-bodied adults/children	1,150	1,165
(b) Able-bodied child		
Single person	1,930	1,955
Family member		
– in a family comprising not more than two able-bodied adults/children	1,600	1,620
– in a family comprising three able-bodied adults/children	1,440	1,455
– in a family comprising four or more able-bodied adults/children	1,280	1,295

B. Supplements under CSSA Scheme

	Existing (\$)	Proposed (\$)
1. Annual long term supplement (for those who are old, disabled or medically certified to be in ill-health and who have received CSSA for 12 months or more)^{Note}		
Single person	1,430	1,445
Family comprising two to four such members	2,865	2,900
Family comprising five or more such members	3,825	Rate to be frozen
2. Monthly single parent supplement	225	230
3. Monthly community living supplement	100	100
	Existing (\$)	Proposed (\$)
C. Meal allowance per month (for students attending full-day school and taking lunch away from home)	195	195

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^{Note} With regard to the Long Term Supplement (LTS), the 1996 Review of the CSSA Scheme revealed that the annualised expenditure on replacement of major durable items by larger families (i.e. those with five or more members) is much less than the corresponding annual LTS and is in effect not significantly different from that of families with two to four members. The Review concluded that we should freeze the rate for such larger households at the then newly revised 1996-97 level until it equated with that for families with two to four members. The LTS rate for families with five or more members was subsequently frozen in 1997-98, we therefore propose that the LTS rate for a family with five or more members should remain unchanged in this exercise.

D. Standard Payments under the SSA Scheme

Category	Existing	Proposed
	(\$)	(\$)
Old Age Allowance		
Normal rate (for those aged between 65 and 69)	625	Rate to be frozen
Higher rate (for those aged 70 and above)	705	Rate to be frozen
Disability Allowance		
Normal rate	1,125	1,140
Higher rate (for those in need of constant attendance)	2,250	2,280

JUSTIFICATION**Standard payments under the CSSA Scheme and the SSA Scheme**

4. The provision of standard payment rates under the CSSA Scheme is to provide a safety net of last resort for those in need so that they can meet their basic and essential needs. The provision of DA and Old Age Allowance (OAA) under the SSA Scheme aims to provide a monthly allowance to Hong Kong residents who are severely disabled or who are 65 years of age or above to facilitate families in caring for their disabled and old aged members. The CSSA Scheme is means-tested whilst applicants for the DA and OAA are largely not subject to any means test. An explanatory note is at Enclosure.

Encl.

5. The standard CSSA and SSA payment rates are adjusted according to the movement of the Social Security Assistance Index of Prices (SSAIP). The Index, which reflects the expenditure pattern of CSSA households, is specially compiled by the Census and Statistics Department on a monthly basis to measure inflation/deflation experienced by CSSA households. It consists of the same items as the Consumer Price Index, except that items which are covered by special grants under the CSSA Scheme (for example, rent) or provided free by the Government (for example, medical treatment at public hospitals or clinics in Hong Kong) are excluded. The movement of the index is used as a reference for making adjustments to CSSA/SSA standard payment rates to take account of price changes.

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6. When compared with the corresponding period in 2004-05, the 12-month moving average of SSAIP up to 31 October 2006 registered a year-on-year increase of 1.2%. In view of this increase, we propose a corresponding 1.2% upward adjustment to the CSSA rates and DA rates for the 2006-07 cycle.

7. As to OAA under the SSA Scheme, we do not propose to adjust the allowance downwards despite the overshoot in previous adjustments and the persistent drop in SSAIP from 1999 to 2003 (as a result of which there is room for a downward adjustment by 9.7%).

FINANCIAL IMPLICATIONS

8. Based on the approved provision for 2006-07, we estimate that the proposal will increase the CSSA expenditure from \$18,841 million to \$19,001 million and the DA expenditure from \$1,746 million to \$1,769 million. The total increase in the annual recurrent expenditure will be \$183 million per year as follows –

	\$ million
(a) 1.2% increase in CSSA standard payments	160
(b) 1.2 % increase in DA standard payments	23
Total	<u>183</u>

9. We have not allowed for the proposed price adjustments for CSSA Scheme and the SSA Scheme in the 2006-07 draft Estimates. We would absorb the additional two-month increase from within the respective subheads for 2006-07. We would incorporate the new rates into the draft Estimates for 2007-08.

PUBLIC CONSULTATION

10. We briefed the Legislative Council Panel on Welfare Services (the Panel) on the proposal in paragraph 2 above on 13 November 2006. Members had no objection to the funding application.

BACKGROUND

Annual adjustment timetable for the CSSA and SSA standard payment rates

11. The Administration sought the views of the Subcommittee on Review of the CSSA Scheme (the Subcommittee) under the Panel on 22 July and 22 November 2005 on, amongst others, an annual adjustment cycle of the CSSA and SSA standard payment rates that takes into account the SSAIP movement for the past 12 months ending in October each year and then submission to the Finance Committee (FC) for approval in December, and the new rates be effected in February of the following year. The Subcommittee had no objection to the annual adjustment mechanism.

12. We further advised the Subcommittee that if movements in the SSAIP and other economic indicators pointed to persistent high inflation, consideration could be given to seeking approval for additional inflationary adjustments to the standard payment rates ahead of the new annual adjustment cycle.

13. The FC last approved the proposed adjustment of the standard payment rates under the CSSA Scheme and the DA under the SSA Scheme at its meeting on 16 December 2005. SWD implemented the new rates on 1 February 2006.

Health, Welfare and Food Bureau
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Social Security System

Introduction

Our social security system provides a safety net for individuals and families who are unable to support themselves financially because of age, disability, illness, low earnings, unemployment or family circumstances. The aim of the Comprehensive Social Security Assistance (CSSA) Scheme is to provide financial assistance to individuals or families in need to meet their basic and essential needs. The aim of the Social Security Allowance (SSA) Scheme is to help the severely disabled and the elders and to encourage family support for members with disability or of old age. A person can receive either assistance under the CSSA Scheme or one of the allowances under the SSA Scheme.

Eligibility

2. Both schemes are non-contributory. The CSSA Scheme is means-tested. Applicants for SSA are not subject to means test except that persons aged between 65 and 69 applying for the Old Age Allowance have to declare that their income and assets do not exceed the prescribed levels.

3. There are residence requirements for both Schemes. In addition, able-bodied CSSA applicants who are unemployed or working part-time but available for full-time work are required to actively seek work and participate in the Support for Self-reliance Scheme as a condition of receiving assistance.

4. Elderly persons aged 60 or above who have been in receipt of CSSA continuously for not less than one year may join the Portable CSSA Scheme whereby they are allowed to continue to receive their monthly standard payments and annual long-term supplement should they choose to take up permanent residence in Guangdong or Fujian.

/Payment

Payment

CSSA Scheme

5. The amount of assistance is determined by the monthly income and needs of a family. The difference between the total assessable monthly income of a family and its total monthly needs as recognized under the Scheme in terms of various types of payment will be the amount of assistance payable. When assessing a family's monthly income, earnings from employment and training/retraining allowance can be disregarded up to a prescribed level so as to provide an incentive to work and training/retraining. The current average monthly CSSA payments for different household sizes are given in the table below –

Number of eligible member	Average monthly CSSA payments * (November 2005 – October 2006)
1	\$3,506
2	\$5,843
3	\$7,846
4	\$9,263
5	\$10,995

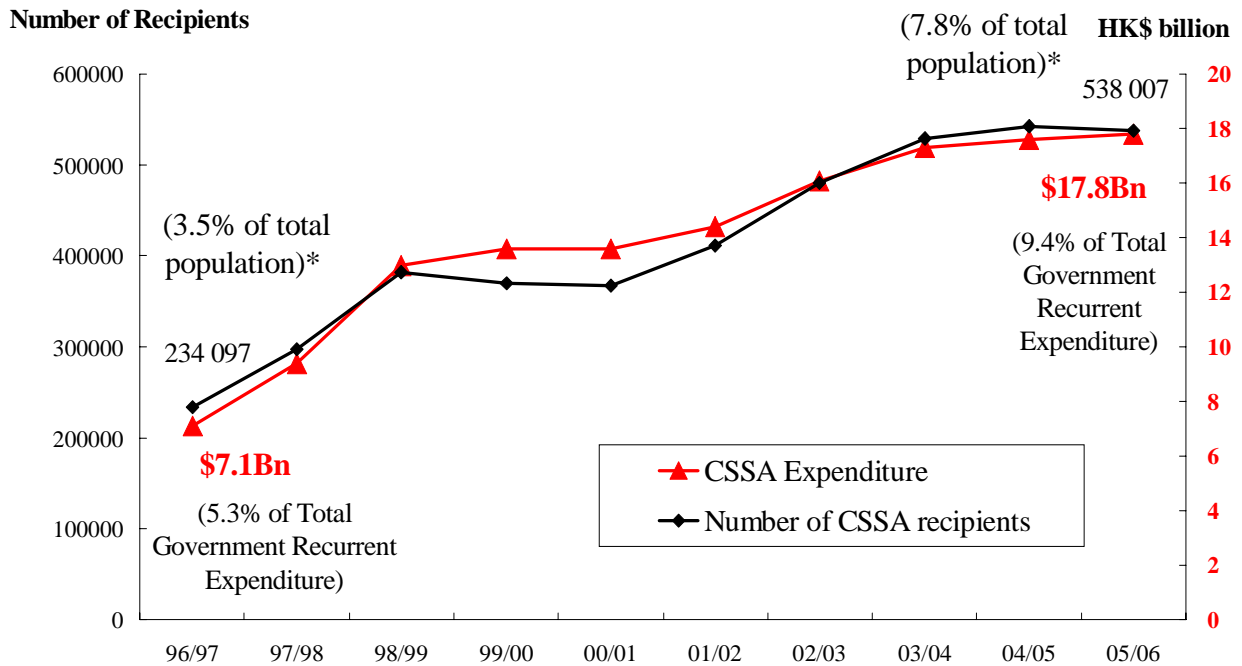
Note : * Refer to the situation when CSSA cases do not have income other than CSSA payment.

6. The Scheme embraces different standard payments to meet the basic and general needs of broad categories of recipients. In addition, an annual long-term supplement is paid to those who are old, disabled or medically certified to be in ill-health and have been receiving assistance continuously for more than 12 months for the replacement of household and durable goods. Monthly supplements are also paid to single parents in recognition of the special difficulties they face in bringing up families on their own without the support of spouses and to severely disabled persons who are not living in residential institutions in recognition of the heavier expenses they may incur while living in the community. Apart from these standard payments, a wide range of non-standard payments in the form of special grants are payable to meet the specific needs of an individual or family. They include payments to cover such expenses as rent, school fees and other educational expenses, medically recommended diets, spectacles and dentures.

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7. Overall, the number of CSSA recipients increased from 234 097 in 1996-97 to 538 007 in 2005-06, and government expenditure on this item increased from \$7.1 billion to \$17.8 billion. CSSA expenditure as a percentage of total government recurrent expenditure increased from 5.3% to 9.4% over the same period.

Overall CSSA Expenditure and Recipients in the Past Decade



Notes : Unless otherwise specified, figures on number of recipients refer to end of financial years.
* Figures refer to end 1996 and end 2005 respectively.

SSA Scheme

8. Four allowances are payable under this Scheme as follows –

- (a) Normal Disability Allowance (NDA)

For severely disabled persons who, broadly speaking, suffer from a 100% loss of earning capacity, or who are profoundly deaf.

- (b) Higher Disability Allowance (HDA)

For severely disabled persons who require constant attendance from others in their daily life but are not receiving such care in a government or subvented residential institution or a medical institution under the Hospital Authority.

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(c) Normal Old Age Allowance (NOAA)

For persons aged between 65 and 69 whose income and assets do not exceed the prescribed levels.

(d) Higher Old Age Allowance (HOAA)

For persons aged 70 or above.

The current monthly payments for DA and OAA are given in the tables below –

Type of Allowances	Existing Monthly Rate
NDA	\$1,125
HDA	\$2,250
NOAA	\$625
HOAA	\$705

9. At the end of October 2006, there were 115 505 recipients of DA, of whom 14 673 were HDA recipients and 100 832 NDA recipients. As compared to December 1996, the increase in DA caseload has been 62.2%, with the number of NDA recipients rising relatively more sharply. In 2006-07, government expenditure on DA is projected at \$1,746 million¹, accounting for 0.9% of total government recurrent expenditure². Expenditure on DA increased from \$1,037 million in 1996-97 to \$1,633 million in 2005-06, representing an increase of 57.5%.

¹ Approved provision for the year.

² The percentage makes reference to the draft estimates.